

CONCEPT MEETING HANDBOOK

**For Multi-Family Rental Housing Financed
by the California Housing Finance Agency**

**CALIFORNIA HOUSING FINANCE AGENCY
“CalHFA”**

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I. REQUIRMENTS PRIOR TO FINAL LOAN COMMITMENT

A. Management Agent Review and Approval

At the initial concept meeting, the owner provides or is requested to submit proposed Management Agreement

The Agency may request that the Owner/Agent complete and submit the “Management Agent Review” that is found on pages 3-5 of this Concept Meeting Handbook.

If the owner selects an agent that manages other Agency financed projects, the Agent Review may be waived.

**California Housing Finance Agency
Management Agent Review Form**

A. Name of Firm: _____

Street, City. Zip code: _____

County: _____ State: _____

Phone number: _____ Fax number _____

Year founded: _____ Year Project Management activities started: _____

Name and Title of Principals: _____

E - Mail address: _____ Cell phone number: _____

Corporate Office:

Street, City. Zip code: _____

County: _____ State: _____

Phone number: _____ Fax number _____

Name and Title of Principals: _____

E - Mail address: _____ Cell phone number: _____

Does your firm provide any of the following services?

☐ Real estate sales/ brokerage ☐ Mortgage Banking ☐ Real Estate Project

☐ Insurance agency ☐ Market analysis ☐ Feasibility studies

☐ Other (please specify) _____

Staff: Number of employees: _____ Number of executives: _____

Type of firm: ☐ Corporation ☐ Partnership ☐ Individual ☐ Other _____

☐ Please submit a copy of your California Real Estate/ Broker's License

Have any licenses certificates or accreditation's ever been revoked suspended or restricted in any manner or terminated?

☐ If yes: please provide details _____

☐ No

How many clients do you currently represent and what type of properties?

☐ 236 ☐ 221(d) ☐ Section 8 ☐ CalHFA ☐ Market rate ☐ Tax Credit

☐ Special Needs ☐ Other government projects please specify _____

How many of the projects that your firm has managed have ever experienced a default?
_____. Provide details including name and circumstances surrounding
each default, its cure, workout and mortgage modification arrangements, assignments,
foreclosures etc. Use extra sheets if necessary

How many project management contracts held by your firm over the past five years have
been terminated prior to their expiration date? _____

Please provide names and addresses of these projects as well as the reasons and
circumstances surrounding each termination.

How many project management contracts held by your firm over the past five years were not
renewed upon expiration? _____

Please provide names and addresses of these projects as well as the reasons and
circumstances surrounding each non-renewal.

Has your firm or any of your personnel ever been involved in a government judicial action
concerning a violation of "Fair Housing Laws"?

☐ If "YES" please describe _____
☐ No

Does your firm have a surety bond? ☐ If "YES" amount of bond \$ _____
Name of bonding company: _____

☐ If "No" is firm eligible for a surety bond? ☐ yes ☐ no

Does your firm carry at its expense any other insurance for protection of owner's interest? If
so what? _____

References:

Bank: _____ Phone # _____
Professional: _____ Phone # _____
Client: _____ Phone # _____

Please provide the contact person's name and title who oversees the management operations:

_____ Phone # _____

The undersigned here certifies that the information set forth in this document and in any attachment in support thereof is true, correct and complete to the best of their knowledge and belief.

In WITNESS WHEREOF the firm has caused this document to be duly executed in its name this _____ day of _____ 20_____.

B. Operating Budget:

At the initial concept meeting, the Agency will discuss the proposed operating budget. Revisions to the proposed budget may be required as a result of these discussions.

An updated operating budget may be required to be submitted prior to loan closing. Additional information regarding budget preparation can be found in the Management Agent/Owner Handbook

II. REQUIREMENTS PRIOR TO LOAN CLOSING

Applies to Risk Shared and CalHFA financed Section 8 projects where we are the Contract Administrator.

A. Affirmative Fair Housing Marketing Plan (Required for FHA Risk Share)

The Affirmative Fair Housing Marketing Plan (AFHMP) is designed to promote equal housing choice for all prospective residents of all the apartments in the project regardless of race, color, religion, sex, disability, familial status, or national origin.

The purpose of affirmative marketing is to ensure that eligible families of similar income levels will have a similar range of housing opportunities. The plan must outline marketing strategies the owner must use, including special efforts to attract persons who are least likely to apply because of such factors as racial and ethnic composition of the neighborhood in which the project is located.

The AFHMR must be reviewed every five years and updated as needed to ensure compliance with 24 CFR 200.620. **The owner/agent must submit their HUD-approved Affirmative Fair Housing Marketing Plan (form HUD-935.2) to the Agency prior to final loan closing.** [The blank form is available at hudclips.org – forms]

- Begin marketing at least one hundred twenty (120) days prior to the availability of the units for occupancy;
- Assure that all advertising (letterhead, brochure and media advertising), has the HUD-approved Equal Housing Opportunity logo, slogan, or statement. All advertising depicting persons should depict members of all eligible protected classes including individuals from both majority and minority groups;
- Where a significant number of persons in the community have limited fluency in the English language, the owner should determine whether advertising efforts should be targeted to different groups. For example, in a community in which the population has changed, it may be more appropriate to switch to advertising in Vietnamese rather than Spanish media sources.

Resident Selection Plan (Required for FHA Risk Share projects)

The Resident Selection Plan helps to ensure that residents are selected for occupancy in accordance with HUD requirements and established management policies.

Owner/Agent must develop and make public a written resident selection plan. The plan must include whether or not there is an elderly restriction or preference in the admission of residents. The contents of the plan also must be consistent with the purpose of improving housing opportunities and be reasonably related to program eligibility and an applicant's ability to perform the obligations set forth in the CalHFA Model Lease and Attachments (House Rules, Eviction Procedures, Grievance Procedures, etc.) for residents in the Project.

- The Agent and the Owner agree to cooperate in the implementation of the Resident Selection/Affirmative Fair Housing Marketing Plan ("Plan") included in the approved Management Plan attached hereto as **Exhibit A** and incorporated herein by this reference.
- In carrying out the plan HUD requires that the plan specify a number of procedures and policy requirements which is listed below.
- Assure that resident selection plan is carried out without favoritism or partiality and that no preference is given to any applicant other than as provided in this Contract and the Management Plan or required by law.

Requirements:

- Project eligibility requirements (project specific, citizenship/immigration status and social security numbers).
- Income limits (including economic mix for Section 8 properties)
- Procedures for taking applications and selecting from the waiting list (taking applications, preferences, income-targeting, applicant screening criteria, procedures for rejecting ineligible applicants)
- Occupancy standards
- Unit transfer policies
- Policies to Comply with Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act Amendments of 1988.
- Policy for opening and closing the waiting list.

Preferences:

Assigning preferences to applicants who meet certain criteria is a method intended to provide housing opportunities to applicants based upon household circumstances:

HUD rules currently include four different kinds of preferences that apply to various programs. Owners must apply preferences to applicants based on the rules for the project subsidy type as well as any other owner-adopted preferences. The following are types of preferences:

- Statutory preferences – displacement.
- HUD regulatory preferences
- State and Local preferences
- Owner-Adopted preferences

Exceptions to the Income Limits in Section 8 Properties:

- Post-1981 Universe 15% exception authority, which it allocates on a nationwide basis.
- Pre-1981 Universe The law restricts occupancy by families that are other than very low-income to 25% of overall occupancy.

Program Resources:

Refer to Additional Program Resources

- HUD Handbook 4350.1, Multifamily Asset Management and Project Servicing
- 4350.3 Subsidy Contract Administration and Field Office Monitoring,
- 4381.5 HUD Management Agent Handbook
- 8025.1 Implementing Affirmative Fair Marketing Requirements for Multifamily Housing

Website Resources:

- www.hud.gov
- www.hudclips.org

B. Insurance Requirements

Owner shall procure and maintain for the duration of the loan, insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the owners operation of the premises to which this contract applies. At closing the sponsor must provide Asset Management with a copy of the insurance policy for both hazard and liability coverage with CalHFA is named as additional insured.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Project insurance written on an “all risk” basis covering real property and business income (rents).
2. Project insurance against the perils of earthquake and flood for both real property and business income (rents) may be purchased through CalHFA.
3. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).
4. Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
5. Workers Compensation insurance as required by the State of California and Employer’s Liability Insurance.
6. Boiler and Machinery coverage against standard broad form perils.

Minimum Limits of Insurance

Owner shall maintain limits no less than:

1. Project Insurance: Full replacement cost with no coinsurance penalty provision for real property, and at least the annual gross potential rental income for the project for business interruption coverage.
2. General Liability: (Including premises, operations, products and completed operations.) **\$1,000,000** per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
3. Automobile Liability: **\$1,000,000** per accident for bodily injury and property damage.
4. Employer’s Liability: **\$1,000,000** per accident for bodily injury or disease.

5. Earthquake and Flood:

- A. Limit as provided through participation in the CalHFA Earthquake and Flood Coverage Program offered through the Agency, or
- B. For new proposed projects (new construction only), application to the Agency's Multifamily Programs underwriting for a waiver.
- C. For projects not covered by the CalHFA Program or granted a waiver, total replacement value (building replacement cost plus 12 months business interruption value) with no coinsurance penalty provision.

"Blanket" earthquake insurance policy programs will be considered on a case by case basis.

6. Boiler & Machinery: **\$1,000,000.**

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by CalHFA. At the option of CalHFA, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects CalHFA, its officers, officials, employees and volunteers; or the owner shall provide a financial guarantee satisfactory to CalHFA guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

Notwithstanding the foregoing, the owner may select deductibles no greater than \$10,000 per occurrence on Property and Boiler & Machinery coverage's, and no greater than 5% of the values per building per location at the time and place of the loss per occurrence on Earthquake and Flood coverage.

Other Insurance Provisions

With respect to Project and Earthquake and Flood insurance coverage, the Agency's interest shall be protected by a Lenders Loss Payable Endorsement naming the Agency as "Loss Payee", per form 438BFU.

Crime Coverage: The Agency recommends, but does not require, Owner to carry insurance covering money or other property against burglary, robbery or theft.

Directors and Officers: The Agency recommends, but does not require, liability insurance for directors and officers of non-profit boards.

The general liability policy is to contain, or be endorsed to contain, the following provisions:

- 1. The Owner's insurance coverage shall be primary insurance. Any insurance or self-insurance maintained by the Agency shall be excess of the Owner's insurance and shall not contribute with it.

2. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, reduced or modified except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Agency.
3. The Agency, its officers, officials, employees and volunteers are to be covered as additional insured with respect to liability arising out of ownership, maintenance or use of the premises.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII or an S&P rating of AA.

Verification of Coverage

Policies must be acquired at initial occupancy and a certificate of insurance must be submitted to the Agency for approval 45 days prior to permanent loan recordation. Renewal insurance certificates must be submitted 30 days prior to the expiration date of any current certificate.

III. OTHER FINANCIAL REQUIREMENTS

A. Required Escrows:

1. Operating Expense Reserve (OER)

The Regulatory Agreement provides for a separately funded Operating Expense Reserve. Funds from the OER shall be used to fund operating expenses not funded by the Rent-up Account. This escrow is funded by the owner at closing in an amount equal to 10% of annual gross rents. The escrow is maintained until such time as two full consecutive years have passed in which the audited financial statement accepted by the Agency shows that gross income is sufficient to meet all operating expenses, accruals, reserve requirements and debt service on the Project.

2. Supplemental Taxes

An estimated amount of supplemental taxes may be collected at closing to fund taxes billed to the project.

3. Transition Operating Reserve (TOR)

This reserve may be required by Multifamily Programs for certain Preservation projects where there is an existing Section 8 project based contract. The TOR funds are intended to be used in the worst case scenario that the Section 8 contract is not renewed and the residents are unable to obtain Section 8 vouchers. The TOR funds would be used to support project operations until a transition is made from the Section 8 rent structure to a tax credit or other rent structure. Project specific details of the TOR will be found in the Regulatory Agreement as written during the underwriting process.

4. Property Tax Impound

Tax impounds, direct levies and/or special easements are collected in escrow at the time of closing the loan. The amount collected depends on how many months are left before the next payment is due. Projects that receive a welfare exemption must provide evidence to Asset Management prior to loan closing. If the ownership has filed yet has not received the exemption for taxes, funds will be collected for full taxes. It will be responsibility of the project management firm to seek reimbursement from the county tax assessor. A monthly impound will be collected based on the annual assessment divided by the remaining months until the next payment is due. The tax impound will be added to the monthly mortgage statement.

5. Insurance Impounds

Insurance impounds are collected in escrow at the time of the loan closing. The amount collected is based on the project's premium for hazard, liability and earthquake insurance (if applicable).

Hazard insurance and earthquake insurance premiums will be paid through the insurance impounds.

Owners must provide Asset Management with evidence of insurance with a certificate of liability from the insurance agent along with the annual premium amount. If the project will be included in the CalHFA blanket earthquake policy the premium is collected in advance for a full year.

Each year prior to the premium being paid, CalHFA's accounting division will prepare an impound analysis to determine if the project needs to increase or decrease their accounts based on existing funds. If the project impound account is over funded, this amount will be reimbursed to the project operating account. If the project impound account is under funded, payment can be accomplished two ways:

1. by transferring funds from another impound account, if possible. The funds must be reimbursed by the project or
2. a request for immediate direct payment will be made to the Management Agent to cover the cost of the premium.

B. Letter of Credit (LOC)

Letters of credit may be used in lieu of cash to fund certain reserve and escrow accounts required by CalHFA. If approved by the agency, the LOC must meet the following guidelines:

- The LOC must be for a term of at least one year. The Agency may require a two-year term.
- The financial institution which issues the LOC must have and maintain a minimum rating of 125 from the IDC Financial Publishing, Inc. (ICD).
- Should a financial institution's IDC rating fall below the accepted standard, the Agency will require a replacement LOC from an acceptable institution within 30 days. Should the project fail to provide the required replacement instrument within the specified time, the Agency's Comptroller will initiate a draw upon the existing LOC.
- CalHFA must be listed on the LOC as a beneficiary.

LOC Extension Policy

A project that has not met previously established criteria for terminating the need for the LOC will require one-year extensions. The necessity for an extension will be determined by the Asset Management Division of CalHFA.

60-days prior to the expiration of the LOC a notification will be mailed to the owner or agent informing them of the need for an extension. This time frame allows for coordination of extension procedures and mailing process between appropriate entities involved with the extension. The notification letter will reference the project number, the LOC number, the amount of the LOC, the expiration date of the LOC, and the date on which the LOC extension must be received by CalHFA.

The LOC extension must be received by CalHFA in the Sacramento office at least 10-working days prior to the LOC expiration date. If the original extension documents are not received by the specified date the Agency's Accounting Division will initiate irrevocable cash draw procedures to the bank. There will be no exceptions made since adequate time and effort has been made by the agency to communicate the requirements.

LOC's must be provided in the attached format.

CalHFA MULTI-FAMILY LOC FORMAT

UNCONDITIONAL, IRREVOCABLE LETTER OF CREDIT

***(ISSUING BANK'S LETTERHEAD)**

Letter of Credit Number:

Date:

1. Amount:

2. Expiration Date:

3. Issuing Bank:

For Account of:

4. Project:

5. To Beneficiary: California Housing Finance Agency
1121 L Street, 7th Floor
Sacramento, California 95814

6. Ladies and Gentlemen:

We hereby establish our unconditional, irrevocable Letter of Credit in your favor available by your drafts drawn at sight on us. Partial drawings are permitted.

7. Covering: Obligations of _____ (Developer's name)
to the California Housing Finance Agency in Connection with _____
_____.

Document required:

8. 1. Beneficiary's signed certificate stating that this draft is drawn under Letter of Credit No. _____.

9. In the event of the wrongful dishonor of this Letter of Credit, we shall pay upon demand the amount owed hereunder, plus interest at the rate of ten percent (10%) per annum from the date of dishonor, plus any expenses, including but not limited to reasonable attorney's fees and litigation costs incurred by beneficiary in enforcing its rights hereunder.

We engage with you that drafts is drawn under and in compliance with the terms of this
Credit will be honored.

Very truly yours,

(Authorized Signature)

(Print name of issuing
Bank and Authorized Signatory)

10. This Credit is governed by the Uniform Customs and Practice for Documentary Credits (1983 revised) International Chamber of Commerce Publication No. 400 to the extent not different form or in conflict with California law.

INSTRUCTIONS: The Issuing Bank must maintain a California office at which this letter of Credit may be drawn.

IV. CERTIFICATION FOR VERY LOW INCOME RESIDENTS

As a condition of receiving Agency financing, the Owner agrees to lease a certain number of units to individuals or families who meet certain income limits as prescribed in the CalHFA Regulatory Agreement. During lease up of the complex, the owner must submit initial certifications for the “qualified tenants” to the Agency. You will be informed how many of each unit size and total number of units to monitor.

On an annual basis, the Agency will provide the owner/agent with the income limits that must be used in the process of establishing tenant eligibility for initial occupancy and for determining the eligibility of existing tenants occupying controlled units.

Residents must be recertified annually. When a resident reaches 140% of current qualifying income based on family size, they no longer qualify to be counted as a CalHFA controlled unit. However, they may still remain in the complex. The project must make the next available unit a controlled unit.

Further income and rent provisions are detailed in the Regulatory Agreement.

A. Verification of Qualified Tenant Eligibility:

The management agent determines income eligibility for applicants intended to be counted as Qualified Tenants for purposes of compliance with federal tax laws and Agency requirements. Income Certification forms must be filled out completely and all third party verifications obtained for your records.

B. Support Documentation:

The original tenant certification, all verifications, including social security or SSI benefit verifications, savings or checking account information, stocks and bond verifications and other income verifications must be kept in the tenant's file. The management agent will send copy Certification of Compliance Forms to the Agency.

Original verifications, leases and Tenant certifications must be kept on file by the management agent for a period of three years.

Before each Qualified Tenant moves in, the management agent compiles the following documents for the Tenant's file at the project:

1. Signed lease and house rules;
2. Certification of Tenant Eligibility signed by the Tenant; and
3. Written third party verifications for all required information on the application.

**CERTIFICATION OF COMPLIANCE
RENTAL HOUSING MORTGAGE LOAN PROGRAM RESIDENT ELIGIBILITY**

- INITIAL MOVE-IN
- ANNUAL RECERTIFICATION
- SECTION 8 CERTIFICATE HOLDER

PROJECT NAME:
COUNTY:

UNIT NUMBER:

CalHFA #:
UNIT SIZE:

FAMILY MEMBER	CURRENT SOURCE OF INCOME	ANNUAL INCOME
HEAD _____	_____	_____
2 _____	_____	_____
3 _____	_____	_____
4 _____	_____	_____
5 _____	_____	_____
6 _____	_____	_____
7 _____	_____	_____
8 _____	_____	_____

I hereby certify that the above foregoing information is true and complete to the best of my knowledge and authorize inquires to be made to verify the statement herein.

Head of Household

Date

Eligibility

Family Size/Number of Persons _____

Total Annual Income _____

Maximum Income Limit for Family Size _____

Based on the verification of income, does this applicant
meet the income requirement for this unit

Yes ☐ No ☐

Income designation is (please circle)

35% 45% 50% 60% 65% 80%

Management Agent Representative

Date

Attach verification of income and assets.